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Simplification and harmonization of the United Nations development system

Report of the Secretary-General

Summary

Simplification and harmonization in the United Nations development system have made considerable progress over the past three years. Within existing rules and regulations, a large number of innovations were initiated at the country level, leading to tangible efficiency gains and cost savings. Lessons learned informed inter-agency guidance, which is increasingly country driven. Nonetheless, there is limited scope for experimentation at the country-level without commensurate adjustment of headquarters procedures and practices, to be decided at the headquarters level. Procurement and human resource management are seen as the priority for simplification and harmonization.

Underlying the different business practices are different business models, which respond to organization-specific mandates and programme activities guided by governing bodies. Evidence shows that there is potential for simplification and harmonization within existing business models, for example, in procurement and human resources management. Stakeholders should take a staged approach, first striving to achieve the utmost progress without major structural transformations and showing quick wins, efficiency gains and savings. Firmer commitment may then be achieved for more fundamental changes involving the decision-making of governing bodies. The subsequent steps should give more attention to simplification.

* See E/2011/1.

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I. Introduction

1. Strengthening the United Nations in the economic and social field is a holistic process, encompassing both structural reforms and changes in the approaches to cooperation and programming.

2. In recent years, simplification and harmonization of business practices has assumed greater importance and visibility on the United Nations reform agenda. It has reverberated across various intergovernmental forums, culminating in the 2007 triennial comprehensive policy review of United Nations operational activities for development and, most recently, General Assembly legislation on system-wide coherence.[1] While responding to reforms mandated by intergovernmental processes, the United Nations system is also taking unprecedented measures to improve efficiency and control costs in coping with the fiscal austerity that is permeating Member States.

3. The present report has been prepared in response to General Assembly resolution 62/208, which requests the governing bodies of organizations of the United Nations system to assess the progress achieved, including costs and benefits, in the area of simplification and harmonization, and analyse the potential impacts on development programming (para. 112). The report also draws guidance from decisions of the Economic and Social Council in follow up to the 2007 triennial review by the Council, which the Secretary-General was requested to present information in this regard in the form of a report.

4. The present report provides an overview of the milestones achieved since the adoption of the 2007 triennial review, progress made since the submission of the previous report of the Secretary-General and actions taken by governing bodies. It highlights how the day-to-day business operations at the country level are affected by the different structures and business models of the various organizations. It points to key challenges faced by United Nations country teams in relation to simplification and harmonization in the United Nations system.

5. This report draws, inter alia, on inputs from 15 United Nations country teams, which identified common issues. A more holistic reflection of country-level perspectives, however, requires a sample of larger size. The report uses the term "business operations" in a narrow sense. It does not therefore report on simplification and harmonization in programmes. The report should be read in conjunction with the report of the Secretary-General on results achieved and measures and processes implemented in follow-up to General Assembly resolution 62/208 on the comprehensive policy review of operational activities for development of the United Nations system.

II. Milestones in simplification and harmonization since the adoption of the 2007 triennial comprehensive policy review of operational activities for development

6. The past three years witnessed a broadening of the focus of simplification and harmonization in the United Nations system. Beyond the urge to reduce transaction

[1] General Assembly resolutions 62/277, 63/311 and 64/289.

costs, the momentum was fuelled largely by the pursuit of coherence in operational activities and, notably, progress achieved in joint programming and joint programmes.

7. Simplification and harmonization has also made its way to the policy debate at a higher level. Since the adoption of the 2007 triennial review, three General Assembly resolutions and three Economic and Social Council resolutions have addressed this theme. Specific aspects were more frequently than ever discussed in the governing bodies of most United Nations development organizations. Simplification and harmonization also became a recurring subject at the joint meeting of the Executive Boards of United Nations funds and programmes.

8. The various processes led to a series of legislation, agreements, initiatives and institutional adjustments, laying important foundations for the way forward:

(a) The United Nations System Chief Executives Board for Coordination endorsed the Plan of Action for the Harmonization of Business Practices in the United Nations System (April 2008);

(b) The United Nations Development Programme (UNDP), the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF) and the World Food Programme (WFP) and several specialized agencies agreed to use 7 per cent as the rate to charge indirect programme support costs for multi-donor trust funds and multi-agency joint programmes and activities (April 2008);

(c) WFP became the first organization in the United Nations system to be compliant with International Public Sector Accounting Standards (IPSAS) (2008);

(d) Several specialized agencies agreed to use the harmonized approach to cash transfers[2] where applicable to their operations in pilot countries (2009);

(e) A common procurement approach was piloted in the United Republic of Tanzania and generic guidance on common procurement at the country level was adopted for global use (2009);

(f) The General Assembly decided to create a central repository of information on operational activities for development (2009);[3]

(g) Common information and communications technology (ICT) services were piloted in Mozambique and the United Republic of Tanzania, and generic guidance on common ICT services at the country level was issued for global use (2010);

(h) The Chief Executives Board High-level Committee on Management and the United Nations Development Group conducted their first joint mission to four countries to identify bottlenecks in simplification and harmonization (2010);

[2] The harmonized approach to cash transfers is a common approach to cash transfers for implementing partners of the United Nations in programme countries. It uses macro and micro assessments, conducted with implementing partners during programme preparation, to determine levels of risk and capacity gaps. The approach uses assurance activities such as audits and spot checks during implementation and introduces a new harmonized format for implementing partners to request funds and report on how they have been used. It applies mainly to UNDP, UNFPA, UNICEF and WFP and to several specialized agencies in some situations.

[3] Resolution 63/311.

(i) The General Assembly called for continued efforts to harmonize business practices in its resolution on system-wide coherence (2010).[4]

III. System-wide developments in 2010 and 2011

A. Implementation of the Plan of Action for the Harmonization of Business Practices in the United Nations System

9. The year 2010 witnessed important developments in the implementation of the Plan of Action for the Harmonization of Business Practices. Two of the six priority initiatives have been completed and the rest are approaching an advanced stage of implementation. By the end of March 2011, the Plan of Action had received funding of $10.5 million,[5] with approximately $3.7 million expended at the end of November 2010.

1. Procurement initiatives under way

10. The first project completed under the Plan of Action for the Harmonization of Business Practices, namely the vendor eligibility project, led to the endorsement of a model policy framework for determining vendor eligibility and defining an administrative process that is common across the United Nations system for handling unethical vendors to the United Nations.

11. Moreover, efforts are being made to improve the procurement and supply chain management function of the United Nations by creating a common framework for doing business. This is being done through the harmonization of regulations and rules, the streamlining of processes, the improvement of business practices and the fostering of a division of labour. This will also support country-level operations by delivering uniform best-practice tools to United Nations procurement practitioners based on insights gained from the One United Nations pilots.

12. Collaborative procurement has shown concrete benefits. For example, Geneva offices report approximately CHF 37 million in cost avoidance[6] thanks to collaboration in several service areas. Similarly, the agencies based in Rome also reported large savings in cost avoidance. Globally, collaborative procurement is under way in the areas of warehouse and shipping insurance, transportation contracts and vehicles, which could result in significant savings.

2. Harmonized approaches on financial management

13. Progress is being made in harmonizing approaches to financial management. The common treasury services[7] project aims to identify opportunities for establishing common treasury management services across the United Nations

[4] Resolution 64/289.

[5] Contributions were received from the Netherlands, New Zealand, Norway, Sweden and the United Kingdom of Great Britain and Northern Ireland.

[6] Cost avoidance is seen as a cost reduction that results from spending that is lower than what would have been available through published market rates or through consumption reductions due to collaborative action.

[7] Treasury services cover: investments; foreign exchange buying and selling; banking/payment systems, contracts and cash management.

system. A feasibility study, to be concluded by mid-2011, will contain explicit, actionable proposals for harmonization and possible integration of treasury services. Detailed estimates of savings based on agreements reached thus far among organizations are expected by mid-2011.

14. Progress in the adoption of IPSAS continues both system-wide and at the level of individual organizations. Among 22 organizations, one is fully IPSAS compliant (WFP) and eight were expected to comply by 2010, with the rest aiming to become compliant during the period 2012 to 2014. All organizations are on track to issue IPSAS-compliant financial statements for 2010. Overall, the organizations have made progress towards achieving their implementation dates.

15. The project on harmonization of reporting systems is moving forward through the creation of a central repository of information on operational activities for development. The secretariat of the Chief Executives Board and the Department of Economic and Social Affairs of the Secretariat have started collaborating in an exercise aimed at common data collection covering all reporting requirements. The implementation phase of the repository will be completed within a two-year period.

3. Divergences in human resources management

16. Divergences have been identified in human resources management, and projects on human resources are bearing fruit. A comparative analysis and review of the human resources management policies and practices of the organizations of the United Nations system was completed in 2010.

17. The review revealed that organizations are moving at varying speeds in taking action after the adoption by the International Civil Service Commission (ICSC) in 2005 of the framework for contractual arrangements.[8]

18. Disparities in human resources management were also identified. For example, it was found that the implementation of the classification standards set by the ICSC is not uniform. Non-staff personnel performing functions similar to staff functions serve under less favourable terms and conditions than staff, while conditions of service among personnel serving on non-staff contracts also differ widely. This creates a sense of inequality which has a negative effect on staff motivation, cohesion and commitment. The categorization and treatment of locally recruited staff as "internal" or "external" candidates also varies when it comes to application for vacancies in other organizations.

19. In follow-up to the review, the next steps will focus on implementing ICSC classification standards across the United Nations system; development of harmonized vacancy announcement formats; establishment of a single central review body for all organizations in a duty station; and development and application of standard elements that all organizations can add to their performance appraisal system. Many of these concepts will be moved forward on a pilot basis.

4. Common policies for information and communications technology

20. A project is being carried out in the area of ICT to establish common standards and benchmarks for ICT services and investments, which will allow organizations to calculate the total costs of ICT services in a manner that provides for the

[8] The framework recommends three types of appointments: continuing, fixed-term and temporary.

benchmarking of these services. Meanwhile, a project is under way to implement the recommendations contained in a study on data communications, which indicated that efficiencies could be realized through the sharing of data communications services at the country and headquarters levels. The High-level Committee on Management continues to develop a common directory service, currently providing contact information for 18 organizations of the United Nations system. Mechanisms are being explored to scale up support for country offices for harmonized ICT solutions in response to the recommendations resulting from the joint mission.

B. Inter-agency support for coherent country business operations

1. First joint mission by the United Nations Development Group and the High-level Committee on Management

21. To accelerate action to address bottlenecks in business operations, the Chairs of the United Nations Development Group and the High-level Committee on Management launched a joint high-level mission between March and July 2010. The mission observed considerable progress in the country offices visited,[9] noting that the most successful initiatives had involved close working relationships between country level and headquarters staff. Solutions for greater harmonization of business practices had been developed at the country level within existing regulations and policies. It was also found that challenges to "Delivering as one" had come mainly from different practices and policies rather than from different rules and regulations. It was noted however that in some cases, in particular in the human resources management and legal areas, headquarters needed to further simplify and harmonize regulations, rules and policies.

22. Government support and leadership emerged as a key factor underlying achievements and progress on harmonization. Active and consistent support by the donor community was also indicated as a fundamental enabling factor for change. Strong leadership by the resident coordinator together with heads of agencies was also considered crucial in driving the change.

23. Following the mission, a joint plan was developed to implement the mission's recommendations. The plan points to the need to ensure closer integration between programme and business operations and covers key priorities such as advancing harmonization in procurement and IT and ensuring progress in harmonizing human resources policies and procedures. Measures to expedite legal clearance of these implementation measures are under consideration by various organizations.

2. Integrated programmatic and operational planning

24. To ensure relevance and implementation of harmonization of business practices at the country level, the High-level Committee on Management, in coordination with the United Nations Development Group, has provided support to the United Nations System Staff College to ensure that harmonization of business practices is covered in the preparations for United Nations country teams under the United Nations Development Assistance Framework. The first set of workshops supported through the Plan of Action will be conducted in April 2011.

[9] Albania, Malawi, Mozambique and Viet Nam.

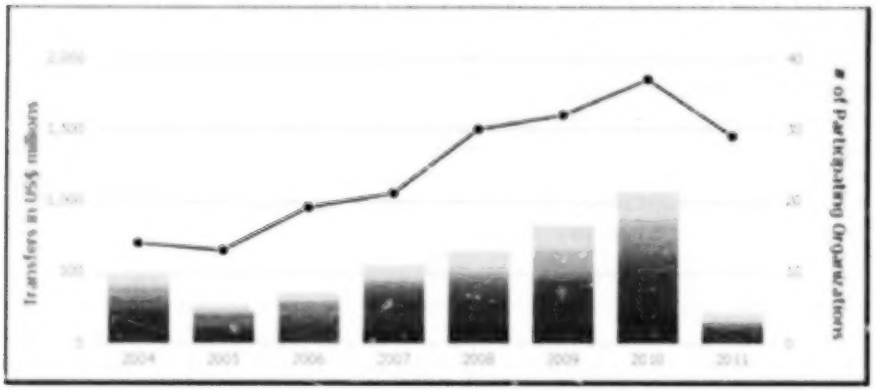
3. Higher level consensus on multi-donor trust fund management

25. Multi-donor trust funds have become more important in supporting system-wide coherence at the country level. The number and the volume of such funding have been increasing significantly over the past years.

26. In 2010, "Delivering as one" funds[10] were operational in 17 countries. All 17 of these funds have received contributions through the expanded "Delivering as one" funding window, a facility established in support of "Delivering as one" countries.

27. Efforts are being made by the United Nations Development Group to ensure that existing guidelines are coherent with each other and address the needs of stakeholders. The United Nations Development Group also endorsed a guidance note on establishing multi-donor trust funds.

Figure
Organizations participating in the Plan of Action for the Harmonization of Business Practices, 2004 to 2011



Source: Multi-Donor Trust Fund Office, UNDP.

4. Harmonizing financial policies and procedures

28. The initiative to shift to harmonizing financial rules and regulations started in October 2006, involving the Comptrollers of the United Nations Secretariat, UNDP, UNFPA, WFP and UNICEF. Organizations have attempted over the years to develop a set of harmonized financial rules and regulations, but it has become clear that given the different mandates and business models of the organizations, developing financial rules and regulations that are harmonized in all the areas required for the operations of all the organizations will not be possible. The exercise has resulted in

[10] The "One United Nations Fund" is a joint development fund modelled on the United Nations Development Group joint programme pass-through modality. In addition to the eight "Delivering as one" pilot countries, nine countries have voluntarily adopted the "Delivering as one" approach (Bhutan, the Comoros, Kiribati, Kyrgyzstan, Lesotho, Malawi, Montenegro, Papua New Guinea and Sierra Leone).

a draft document comprising harmonized financial regulations and rules for the United Nations Secretariat, UNDP, UNFPA and UNICEF.[11]

29. The harmonization exercises are unlikely to be completed for submission to the respective governing bodies until at least January 2013 in a best case scenario. Organizations feel that the benefits that may accrue to the organizations at the headquarters and country level may not justify the costs. In addition, harmonization in the remaining main areas of financial rules and regulations would not significantly affect the coherence and efficiency of country-level business operations. As a result, organizations should harmonize financial policies and procedures that affect coherence and efficiency of country business operations, taking into consideration costs involved and potential benefits. This is in line with the 2007 triennial comprehensive policy review, which called upon United Nations organizations to harmonize and simplify their rules wherever this could lead to a significant reduction in burdens on organizations and national partners.

5. Understanding of in-country transaction costs

30. Transaction costs in the United Nations system are not defined, tracked, documented or measured systematically, which has hindered the efforts to harmonize cost-recovery policies and practices. In order to operationalize the identification of transaction costs, a study was conducted by the United Nations Development Group in 2016, based on the experiences of the "Delivering as one" pilot countries.

31. The study came to the conclusion that there is no one single methodology available or in reach that could provide comprehensive information on levels and trends of in-country transaction costs for the stakeholders of the United Nations system. Challenges arise from the complexity of quantifying transaction costs incurred by many independent partners with different accounting systems and business models, the absence of baselines and differences in cost terminology, definitions and classifications. The study recommended further agreements on cost definitions and classifications. It also argued that a bottom-up approach (country level) to business process harmonization might increase overall transaction costs in the United Nations system.

6. Cost-savings

32. The 2007 triennial comprehensive policy review called on United Nations organizations to ensure, where possible, that cost-savings as a result of joint efforts and coordination would accrue to development programmes. This concept can be implemented without much difficulty within the programme budgets, where cost savings are generally available for allocation to other programme activities in the same country in accordance with the rules and regulations.

33. There are however major challenges in implementing this concept in the support budgets. For example, the funds and programmes work with global support budgets, where savings from one particular country are part of the global envelope

[11] In the draft, 41 per cent of regulations and 53 per cent of rules are common and applicable to all the organizations; 32 per cent of regulations and 25 per cent of rules are applicable to individual organizations; and 27 per cent of regulations and 22 per cent of rules are applicable to two or three organizations only.

and in many cases are used to deploy staff in emergencies. This flexibility is crucial to allow for quick deployment of capacity in exceptional situations. In addition, the identification and measurement of efficiency gains and savings require the establishment of complex processes and practices, which in some cases may cost more than the savings being measured. Organizations of the United Nations Development Group agreed in 2010 to put in place ways to identify and measure savings from country programme and support budgets on an experimental basis.

7. Support to common services

34. Strengthened support was provided to United Nations country teams in implementing common services. Training on common services was provided to 80 countries in 2010. The United Nations Development Group agreed to establish an interim inter-agency structure to provide one-time assistance and support for scaling up activities to harmonize ICT beyond the pilot countries.

C. Simplification and harmonization at the country level

1. Advances on common services across countries

35. Notable progress has been achieved in the area of common services. Most United Nations country teams have in one way or another shared essential support services. Most frequently shared services include banking, cleaning, maintenance, security and, to a lesser extent, travel and transportation, medical services, procurement, ICT and human resources. Among the 97 United Nations country teams that submitted an annual report from the resident coordinator, all but 16 have implemented a certain form of common services. Twenty-four country teams reported sharing of procurement activity and nine claimed sharing of ICT services.[12] Only one country team reported sharing services for human resources management. There is ad hoc evidence of cost-savings. For example, the United Nations country team in the United Republic of Tanzania estimated savings of around $300,000 as a result of common procurement efforts. In spite of such achievements, organizations largely maintain their own servicing units. There are perceptions that common services may not be cost-effective because of the staff time and costs involved in inter-agency processes.

2. Common premises

36. Use of common premises has not gained significant momentum. According to a survey conducted in 2009, 88 out of 116 countries surveyed stated that some form of common premises existed, with approximately half established before 1999 and the rest in the past decade. Overall, 62 countries claimed that they were considering a change (expansion, move or development of new or different premises). Lack of funding has been a major stumbling block, but once implemented, savings can accumulate in the long run as a result of cost-sharing of maintenance and other services. In 2009, the country team in Nigeria saved $520,000 thanks to the sharing of services after moving to common premises. Some organizations are of the view that common premises should remain optional because of security concerns and the

[12] Common services and harmonized business operations survey, 2009, United Nations Development Group.

availability of more cost-effective solutions. It is also necessary for organizations to make careful cost-benefit analyses locally and at the headquarters when it comes to common premises proposals, in particular if construction is being discussed.

3. Harmonized approach to cash transfers

37. A harmonized approach to cash transfers is being implemented in a majority of United Nations country teams, but very few are fully compliant. According to the last update, of 27 July 2010, of the 84 countries (out of 136) that have provided data, 19 country teams or 23 per cent reported to be fully compliant with the harmonized approach to cash transfers. Of 136 countries, 83 reported having conducted a macro-level assessment,[13] whereas 47 reported having conducted a micro-level assessment.[14] Thirteen countries reported that harmonized cash transfers were not applicable, as no cash transfers were made to partners.

4. "Delivering as one" pilot countries

38. Country teams in the pilot countries and countries voluntarily adopting the "Delivering as one" approach have developed and implemented innovative common solutions in a variety of business support areas. For example, in Mozambique a "one ICT" platform was launched in March 2010. Based on a common service model, the platform has made possible system-wide services such as shared connectivity, wireless accessibility and a database of common suppliers. In the United Republic of Tanzania, a procurement team was established and has implemented 25 long-term agreements. Savings were estimated at around $300,000 as a result of common procurement. The One Communications Team in Viet Nam also shows that United Nations agency staff can work in an environment with common job descriptions, managed by staff from other agencies, under a common workplan, and that they can be assessed using a common performance assessment tool.

5. Operations management teams

39. Most countries have established an operations management team, which were first launched in 2002 as an inclusive forum to address business operations issues of common concern at the country level. The operations management team consists of staff dealing with operational issues in country offices and is in most cases chaired by a representative of one of the largest operational organizations, with some rotating the chairmanship. Meetings are called by the Chair and address specific arrangements of common services, for example cost-sharing and long-term agreements. In general, there is a lack of connection between the operations management teams and the overall agenda of the country teams. With very few exceptions, the operations management team is not represented in country team meetings. The ability of the operations management team to reach agreement is also questioned as a result of the varying levels of authority delegated to the members of the group.[15]

[13] A review of a country's public financial management system.

[14] A review of a partner's financial management capacity.

[15] The members vary from international to national officers of different ranks.

D. Actions taken by governing bodies

40. During 2010 and 2011, the governing bodies of eight funds, programmes and specialized agencies addressed management issues in relation to simplification and harmonization in the United Nations system, with a focus on IPSAS, financial rules and regulations, cost recovery, field presence and human resources practices. Governing bodies assessed costs and benefits of change management. The potential impacts of management reforms on development programming which the General Assembly requested them to address appear to have received little attention.

41. UNDP, UNFPA and UNICEF have worked towards harmonization and improvement in the presentation of the biennial support budget for 2012-2013 with a view to presenting a single, integrated budget for each organization beginning in 2014. Towards that objective, a road map was submitted to the Executive Boards of the three organizations in 2010. The Executive Boards of UNDP, UNFPA and UNICEF agreed on common cost definitions and classifications. Organizations were requested to present their 2012-2013 budget documents using these cost definitions and classifications and reflect the new classifications in their financial statements and in their annual financial reviews presented in 2013 and onwards.

42. The governing bodies of four organizations (UNICEF, the United Nations Industrial Development Organization (UNIDO), the Food and Agriculture Organization of the United Nations (FAO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO)) received updates on progress in implementing IPSAS. The FAO Governing Council in particular encouraged the FAO secretariat to seek further opportunities for cost-efficiency and ways to maximize the value-for-money delivered by the IPSAS programme.

43. The governing bodies of UNESCO and UNIDO considered possible alignment of their strategic planning cycles with the quadrennial comprehensive policy review of the General Assembly. The Executive Board of UNESCO decided that UNESCO should maintain its six-year planning cycle but use the rolling character of its medium-term strategy to ensure that the substance and directives of the comprehensive policy review are reflected in the strategic documents of the organization. The Industrial Development Board of UNIDO recommended that the Director-General should submit to the Board on a quadrennial basis, from 2013 onwards, a draft four-year medium-term programme framework, taking into account the recommendations of the latest quadrennial comprehensive policy review. By doing so, the UNIDO strategic planning cycle is in full alignment with that of the quadrennial review.

IV. Country-level perspectives on priorities for simplification and harmonization

44. Simplification and harmonization of business processes have implications for all United Nations country teams, each operating in a unique context, facing different challenges and having distinct priorities. The joint mission by the United Nations Development Group and the High-level Committee on Management revealed important challenges and opportunities based on the experiences of the "Delivering as one" pilot countries.

45. There is a need to understand the operational realities of the full range of programme countries beyond the "Delivering as one" countries. Towards that objective, 15 United Nations country teams[16] were consulted through interviews and questionnaires on their perception of priorities and challenges and invited to make recommendations. The consultations confirmed the findings of the joint mission. They also revealed the implications of divergences in the United Nations system business practices for the day-to-day business operations of the country teams. Some of the priorities identified by the country teams are being addressed within the High-level Committee on Management and the United Nations Development Group. The need for accelerated implementation was emphasized.

A. Implications of different procurement rules and procedures for joint procurement at the country level

1. Significant savings from common procurement

46. Joint procurement of goods and services for common requirements has great potential to achieve cost-savings and efficiency gains as a result of economies of scale and consolidation of parallel processes. With increased engagement by United Nations organizations in joint programmes, joint procurement has become a precondition for timely and cost-effective delivery of results.

2. Flexibility in centralized procurement

47. There is a need to give country offices more flexibility to undertake joint procurement within existing models. The procurement models used by organizations of the United Nations system differ significantly in terms of the level of decentralization. Although many organizations allow a certain level of local procurement, interviews with country teams revealed that some organizations with a significant volume of operational activities procure mainly through their headquarters. When a country level joint procurement exercise is initiated, that organization cannot participate, thereby limiting the potential benefits from economies of scale. It should nonetheless be noted that central procurement makes economic sense for the organization and may best suit its commodity supply chains. These organizations could therefore consider establishing flexible procedures to enable local procurement as needs arise within their existing procurement models and framework.

3. Harmonization of local procurement thresholds

48. With regard to the harmonization of local procurement, country offices are delegated different levels of authority in terms of the amount of goods and services that can be procured locally. When there is a need for joint procurement of a significant volume at the country level, organizations frequently need to seek individually the authorization of higher levels of authority for their respective structures, leading to delays in implementation. There were calls for a common threshold, taking into account the specific situations of United Nations country teams as well as the capacity for dealing with procurement in country offices. This

[16] Bhutan, Cambodia, China, Democratic Republic of the Congo, Ethiopia, Guatemala, Maldives, Nepal, Nigeria, Sudan, Thailand, Uganda, Ukraine, Viet Nam and Zambia.

is, however, perceived as unrealistic as it involves changing internal controls and staff responsibilities at field offices. Another alternative is to simplify the approval process of each organization, while keeping the existing control mechanisms and thresholds.

4. Harmonization of procedures for joint administration

49. Organizations of the United Nations system should work towards harmonizing procedures dealing with procurement at the country level. Initiatives to have one common contracts committee to oversee compliance with procurement policies have been taken. Organizations with large programmes for operational activities have been asked to ensure compliance with procurement standards on behalf of other organizations. The different requirements related to procurement procedures have made it difficult. According to the interviews, the trigger point for public bidding ranges widely, from $3,000 to $30,000. When the contracts committee of one organization is asked to review compliance for other organizations, a separate request has to be issued to allow the committee to apply the requirements of other organizations, which increases transaction costs and delays implementation.

5. Delegation of authority to United Nations country teams in post-conflict countries

50. Greater delegation of authority from headquarters and more flexibility are needed to allow swifter response in post-crisis and post-conflict situations. The current level of delegated authority is perceived as low and procedures are perceived as inflexible for United Nations country teams in post-conflict countries. With the large number of contracts entered into, the value of contracts very often exceeds the authorized level. Projects have to make submissions to headquarters contracts committees, which usually results in longer delays.

51. The procedures dealing with local procurement are seen as complex. Therefore, there are cases where country teams enter into agreements with non-governmental organizations and other multilateral organizations to procure for the United Nations. Consideration should be given to extending the concept of emergency procedures to urgent procurement performed in the context of projects implemented with the support of peacekeeping operations in post-conflict or stabilization situations.

52. In September 2009, the United Nations Development Group and the High-level Committee on Management issued guidelines on harmonized United Nations procurement at the country level. These guidelines give country offices flexibility to undertake joint procurement within existing models, including the process of handling joint procurement when thresholds for local procurement differ, and provisions for the use of each other's contract review committees. The implementation of the guidelines should be expedited.

B. Variances in human resources management

1. Harmonization of delegation of authority to allow joint recruitment

53. The level of authority delegated to country offices in recruitment differs significantly from one organization to another. For example, country representatives

of some organizations have the authority to recruit National Officers, while others can recruit only support staff, with National Officer recruitment subject to approval by regional offices or headquarters. This can cause significant delays, especially when it comes to recruiting staff jointly for joint programmes and activities. One country team noted that the different requirements and procedures made it very inefficient to recruit area coordinators co-sponsored by several organizations, since recruitment action cannot be finalized at the country level but must go through parallel processes in the regional office or at headquarters. If the delegation of authority cannot be changed, solutions should be found to streamline the processes at the regional and headquarters levels.

2. Harmonization of recruitment standards to enable sharing of human resources services

54. The interviews with United Nations country teams revealed variations in recruitment standards for different organizations, especially in qualifications required for National Officer and international Professional category positions. This was also pointed out in the joint mission report. This makes it difficult to introduce common United Nations system mechanisms for recruitment. It is important that organizations harmonize the qualifications for National Officers and international Professional positions, and use generic job profiles and harmonized vacancy announcement formats.

3. Harmonized job classification towards ensuring "equal pay for equal work"

55. Job classification needs to be harmonized to ensure that staff performing the same functions serve under the same conditions. The joint mission observed that there were discrepancies in the classified levels of similar jobs across organizations. The perception that "equal pay for equal work" does not exist becomes more apparent with the functional clustering of cross-organization teams. It is not rare for staff performing the same functions to serve on permanent/fixed-term appointments, appointments of limited duration or other short-term appointments (contractual arrangements). The classification of Professional and General Service jobs also varies, leading to a situation where professional staff and support staff carry out the same functions. This could de-motivate staff, while weakening the efficiency of cross-organization teams. The United Nations master standards for classification of Professional and General Service jobs should be applied consistently by all organizations.

4. Simplified recruitment procedures for post-conflict countries

56. Special procedures exist for emergency situations, and the recruitment procedure should also be simplified to allow for fast deployment of personnel in post-conflict and post-crisis situations. Consultations with country teams suggest that recruitment can take months within the normal recruitment process. In exceptional cases, the normal recruitment process for staff and consultants should be waived and exceptional "headhunting" procedures allowed to redeploy crucial expertise to address urgent needs.

C. Harmonization of information and communications technology beyond information management to include financial management

1. Lack of harmonization in information technology management tools

57. Significant progress has been achieved in the area of ICT in terms of sharing ICT infrastructure and services, including the roll-out of a common domain name, common websites and a common directory. Existing initiatives address the need to share information among organizations and facilitate access to United Nations knowledge by external partners. Harmonization of management tools represents a deeper level of harmonization, however, and has not reached an advanced stage.

2. Harmonization of enterprise resource planning to facilitate cross-organization financial transactions

58. Harmonizing enterprise resource planning (ERP)[17] systems can greatly facilitate financial reporting on joint programmes and transactions at the country level. Currently, the main operational organizations use very different ERP systems. In a joint programme with participation of different organizations, one administrative agent is responsible for disbursing funds and reporting to donors. If the ERP system used by the administrative agent is different from that of other participating organizations, country offices of participating organizations cannot report to the administrative agent directly at the country level, but need to consolidate data at their headquarters before reporting on the joint programme. Difficulties also occur when the administrative agent disburses funds to participating organizations and their personnel if the organization uses a different platform. Disbursements have to go through parallel business processes, which increases transaction costs and causes delays.

D. Reinforcement of implementation of the harmonized approach to cash transfers

1. Pace of implementation of the harmonized approach to cash transfers

59. There is a need to strengthen the implementation of the harmonized approach to cash transfers across organizations, where applicable. Several country teams claimed efficiency gains as a result of implementing the approach. However, the level of compliance with the approach among the applicable organizations varies from country to country. Furthermore, not all agencies of the United Nations system have signed on to harmonizing cash transfers. The different modalities used for cash transfers increase transaction costs for implementing partners and weaken the image of the United Nations as a unified presence.

2. Streamlining of harmonized approach to cash transfers

60. In order to ensure wider applicability, the process of rolling out the harmonized approach to cash transfers could be streamlined. The current process to

[17] The enterprise resource planning system provides an integrated suite of information technology applications that support the operations of an enterprise. The activities supported by the system include: finance and budget management, human resource management, supply chain management, central support services and other core services.

implement the approach is perceived as heavy and costly by some country teams. There have been extensive costs relating to setting up the approach in terms of changing procedures, training of staff and national partners and implementation of assurance activities, before the medium-term gains materialize. The applicability of current procedures for small transactions is a concern for specialized agencies in particular.

E. Common services beyond essential services

61. Many country teams have established common services in travel and transportation, banking services, security and maintenance of common premises. Common services have not, however, made significant headway in areas such as human resource or procurement management. Some country teams envisage significant cost-savings as a result of pooling services in these areas. The establishment of one common human resources management unit and common procurement unit could be explored.

F. Strengthening of operations management teams

62. Although operations management teams have been in place for many years, the potential of these teams has not been adequately tapped. In many cases, it is perceived as a body secondary to the inter-agency structures dealing with programmes in the country team. Some interviewees noted that the members of the operations management team are not informed of the broader agenda in the country team and in the United Nations system. Issues addressed by the operations management team are rarely strategic and forward-looking but more of an ad hoc administrative nature. There is a need to reposition and reconstitute the operations management teams, equipping them with more authority and capacity to take decisions related to operations management. The institutional links between the operations management team and the country team should be formalized, allowing the country team to assess programmes from the perspective of the related business operations support.

G. Next steps, focusing on implementation

63. Many guidelines have been developed by the United Nations Development Group and High-level Committee on Management to assist country teams in the roll-out of harmonization initiatives, with many remaining to be implemented. "Guidance fatigue" permeates United Nations country teams. Some country team members felt that some guidance does not address the most difficult issues, creating additional layers of discussion at the country level. Further support from headquarters should thus focus on implementing existing guidelines. The technical teams at headquarters and regional offices should be fully equipped and fast in responding to requests from country teams.

V. Systemic challenges

A. Obstacles related to differences in business models

64. Differences in rules, regulations, procedures and practices are rooted in the different business and funding models of organizations of the United Nations system. Full harmonization cannot be achieved unless there is a degree of convergence in the underlying business models. For example, some organizations are field-based, while others are more centralized. Some provide cash assistance or transfer funds to national partners for implementation, while others self-implement projects. Some have country programmes, while others work around projects. Some organizations deal mainly with humanitarian assistance, while others engage in development-related normative and operational activities.

65. The way the organizations are funded also differs significantly. For instance, there are organizations funded entirely by voluntary contributions and organizations funded by a mix of assessed and voluntary contributions. Within the voluntarily funded organizations, the funding sources also differ. This entails different requirements for accounting, audit and reporting.

66. Each business model is matched with unique business processes and leads to different risk exposure. For example, the nature of risks confronting a field-based organization differs from that of an organization that has small operations at the country level. This has led to distinct risk management systems in terms of reporting lines, delegation of authority, accounting standards, audit criteria and other internal checks and controls.

67. Business models are determined by the characteristics of the organizations and decisions of the governing bodies. The organizations under the United Nations umbrella are largely independent legal entities. The different business models have evolved over the years in specific historical contexts and in response to distinct needs. Business models and the related corporate rules, business processes and risk management systems are subject to the decisions of governing bodies. Harmonization of such aspects is difficult because the vertical legal processes in the governing bodies are unlikely to converge among the various organizations as a result of different understandings and needs.

B. Relative size of organizations

68. The relative size of organizations also influences the choice of business practices. Organizations with a large volume of operational activities normally have well-established structures and capacity in the field, capable of handling comprehensive transactions. They therefore delegate a higher level of authority to regional and country offices. Smaller organizations, however, in many cases do not have full-fledged country offices, but keep a limited number of staff in the field dealing with essential or liaison functions. The level of authority delegated to their field staff on recruitment, procurement and other business operations is lower.

69. The determination of thresholds for procurement, audit and cash transfers is also closely linked to the size of the organization. A certain volume of procurement may be insignificant for larger organizations and therefore can be handled locally.

The same procurement may be considered significant for smaller organizations and reasonably be subjected to central control.

C. Incentive for change

70. Harmonization can be enforced by external forces, for example an overriding mandate, inter-agency agreements or a culture change. It will not be sustained, however, unless there is a strong impetus from within, which stems from a recognition of the benefits by individual organizations and their governing bodies in terms of cost-savings, efficiency gains, better performance ratings, an improved public image and better financial prospects. Organizations should be given an incentive to choose harmonized practices based on well-built solid business cases that show the possible advantages in the short, medium and long term.

71. Demonstrating benefits remains a major challenge. Rigorous and sound cost and benefit analysis is not a systematic practice in decision-making. Data collection and sharing is not a part of the daily activities at the programme and business operations level, which makes it difficult to map and evaluate costs and to build business cases for harmonization. No systems are in place to assess and demonstrate potential and actual gains. There is a need for better information on direct costs to determine whether increases in efficiency create savings. It must be noted that harmonization does not always lead to cash availability, but it does lead to a reduction in staff time.

72. The nature of the work of the United Nations has also made it difficult to demonstrate the linkages between optimized business processes and improved results. Technically, gains are hard to measure and gains from inter-agency efforts cannot be separated from gains arising from internal reforms.

73. Furthermore, benefits only accrue in the long run, whereas costs are incurred immediately. Gains for the whole system may not benefit individual organizations. It takes a strong political conviction to give priority to long-term and collective gains.

D. Cultivation of leadership

74. The need for strong leadership to drive change warrants particular attention. The joint mission of the United Nations Development Group and the High-level Committee on Management found that the level of commitment to common and harmonized approaches to business practices varies from organization to organization and within organizations. Globally, there is a dire need for champions to lead the course. Work towards harmonization is seen as inter-agency business and therefore not adequately recognized nor rewarded by organizations. There is no clear reference to system-wide harmonization of business practices in senior management compacts.

75. At the country level, the leadership of resident coordinators has proved critical. The resident coordinators lack the necessary authority over resources to catalyse change, however. They play an important role in the allocation of multi-donor trust funds and funding for joint programmes, which have rarely dedicated windows for coherence in the area of business operations.

E. Inadequate resources

76. There is lack of dedicated funding to support the roll out and implementation of harmonized approaches, including their proper integration into organization-specific policies and procedures. Organizations have made sizeable investments in their internal systems such as ERP. Amending, modernizing or changing the systems involves redesign of processes, reallocation of staff and purchase of facilities and expertise that is not available within the organization. Therefore, harmonization requires significant additional capital investment and front financing.

F. Weaknesses in capacity

77. There are capacity gaps for change management particularly at the country level. Change management requires sound analysis, planning, implementation and monitoring of change. Such capacity normally does not exist in the resident coordinator offices. The country offices of organizations have varying levels of such capacity due to their different sizes and delegated authority. In general, as the joint mission report indicated, staff members dealing with business operations are relatively junior and have limited impact on decision-making.

G. Programme-operation divide

78. Programmatic and business operation issues are addressed separately. Business operations are seen as secondary in terms of importance and only discussed at a senior level when there are significant budget implications or a strong mandate. Very few countries discuss operational support issues in the process of roll out and implementation of United Nations Development Assistance Frameworks.[18]

VI. Conclusions and recommendations

79. Continuous progress is being made towards simplification and harmonization in the United Nations system. At the country level, most United Nations country teams have introduced common services in one way or another, while some country teams have taken further steps to harmonize service delivery beyond essential services within delegated authority. Inter-agency processes at headquarters have paid special attention to the needs of country teams, with initiatives launched and several agreements achieved to remove bottlenecks and create sufficient ground for innovations at the country level.

80. Expectations about harmonization should be realistic. Although more can be done without changing corporate rules and regulations, it must be realized that progress in simplification and harmonization has a limit, given the different mandates and business models of organizations of the United Nations system. Any progress beyond this limit requires more fundamental changes involving the decision of governing bodies.

[18] This is addressed in the 2010 United Nations Development Assistance Framework guidelines.

81. Experience shows that significant cost-savings and efficiency gains can be achieved within existing rules, regulations and without changing business models. The next steps should focus on the implementation of existing initiatives and guidance. Greater attention should also be given to simplification of procedures.

82. Joint programmes and joint programming, which bring organizations together for joint planning and implementation, have been a major driving force for harmonization of business practices beyond traditional essential services. Joint procurement, recruitment and reporting are still at an early stage and require organizations to find common solutions by adjusting organization-specific requirements and practices. When some of these funding sources dry up as seems to be happening, ways must be found to absorb these costs internally.

83. Innovative funding mechanisms catalyse cooperation at the country level. The success of countries voluntarily adopting the "Delivering as one" approach in achieving a deeper level of harmonization is partially attributable to, among other things, additional funding that is made available to the United Nations country teams through the "Delivering as one" funds and the expanded funding window under the Millennium Development Goals Achievement Fund of UNDP and Spain, which give impetus to coherence on programmes, thereby creating the need for cooperation on business operations.

84. Strong leadership by the resident coordinators and the empowerment of the operations management teams are essential for mainstreaming business operation issues in the agendas of country teams. More resources and authority should be given to the resident coordinators by strengthening existing funding mechanisms and management tools, such as encouraging progress on harmonization through performance appraisals. The operations management teams could be empowered by institutionalizing their representation in the country teams and enhancing their composition.

85. Reforms in the area of operational support will only be sustainable when they become an integral part of the reforms on the programme side. The operational implications of programmatic changes must be thought through, and the relevant provisions of the new United Nations Development Assistance Framework guidelines in this regard should be implemented as a priority.

86. Harmonization at the country level needs to be institutionalized and pursued more systematically to avoid interruptions due to leadership and personnel changes. Workplans across country teams could be a useful instrument to ensure continuity.

87. The United Nations has not been able to show systematically cost-savings and efficiency gains as a result of simplification and harmonization, in part due to inherent measurement difficulties. The inability of the United Nations to show progress in this area may have affected support by Member States for these efforts.

88. Successful simplification and harmonization should be neither top-down nor bottom-up, but a two-way street. The needs of country teams should drive priorities at headquarters; but country teams can only innovate within established policies and procedures. Bolder moves should ultimately come from the top.

89. The Economic and Social Council may wish to:

(a) Encourage Member States to continue their support for the implementation of the Plan of Action for Harmonization of Business Practices and

the joint United Nations Development Group High-level Committee on Management implementation plan;

(b) Request the United Nations Development Group, in cooperation with the High-level Committee on Management, to conduct a review of business models for the next quadrennial comprehensive policy review in the United Nations system, including, but not limited to, field presence, delegation of authority and programme/project implementation modalities;

(c) Invite organizations of the United Nations system to undertake a business process review and cost-benefit analysis to identify business processes that promise the highest return from simplification and harmonization;

(d) Request organizations of the United Nations system to include the promotion of simplification and harmonization in the performance appraisal of senior managers of organizations with large programmes, and where relevant at all levels;

(e) Encourage organizations of the United Nations system within existing planning, budget and evaluation systems to establish indicators and mechanisms to track and demonstrate efficiency gains and cost-savings as a result of optimization of business operations, including simplification and harmonization, and report to their governing bodies on a biennial basis within existing reporting; and in this regard, also to request the United Nations Development Group to support United Nations country teams in developing country-level efficiency indicators for business practices as part of the process launched by the Development Group in 2010;

(f) Request the United Nations Development Group to continue to support United Nations country teams in developing operational plans, in conjunction with the preparation of the United Nations Development Assistance Framework and relevant operational documents, indicating how programmatic implementation and its operational support will be framed together;

(g) Request organizations of the United Nations system to identify the most suitable funding mechanisms for common and integrated services and joint teams, for example on procurement and human resources, drawing on the experiences of the Geneva and Rome-based organizations; and in this regard, request the United Nations Development Group in cooperation with the High-level Committee on Management to review experience with different funding alternatives in support of common services at all levels;

(h) Request the United Nations Development Group to review the functioning of the operations management teams and undertake measures to strengthen those teams;

(i) Request organizations of the United Nations system to review their delegation of authority to country offices in post-conflict countries and establish more flexible procedures to accelerate procurement and recruitment.